

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Paradise Township	County Grand Traverse
Audit Date 3/31/05	Opinion Date 4/29/05	Date Accountant Report Submitted to State: September 28, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C.			
Street Address 134 W. Harris Street		City Cadillac	State MI
Accountant Signature 		ZIP 49601	Date 9/26/05

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY

KINGSLEY, MICHIGAN

MARCH 31, 2005

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

MARCH 31, 2005

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PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

MARCH 31, 2005

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CERTIFIED PUBLIC ACCOUNTANTS

April 29, 2005

INDEPENDENT AUDITORS' REPORT

To the Township Board
Paradise Township
Grand Traverse County
Kingsley, Michigan

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Paradise Township, Grand Traverse County, Kingsley, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Paradise Township, Grand Traverse County, Kingsley, Michigan, as of March 31, 2005, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on pages 22-23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Paradise Township, Grand Traverse County, Kingsley, Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

Paradise Township, a general law township located in Grand Traverse County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Paradise Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2005. In future years, comparative information will be provided.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$620,512. Of this amount, \$197,995 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$210,520 a decrease of \$60,723 in comparison with the prior year. About 93.79% is available for spending at the Township's discretion.
- ◆ The Township's total debt increased by \$74,493 during the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2004-2005 for Paradise Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Fund Financial Statements

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long-Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$620,512 at March 31, 2005, meaning the Township's assets were greater than its liabilities by this amount. Because of GASB Statement Number 34, this is the first year that this information is presented; therefore, only one year of data is shown. A useful comparative analysis will be presented in future years when the information is available.

	Governmental Activities
Assets	
Current Assets	\$ 228,857
Non Current Assets	
Capital Assets	693,732
Less: Accumulated Depreciation	(195,934)
Total Non Current Assets	497,798
Total Assets	\$ 726,655
Liabilities	
Current Liabilities	\$ 58,253
Long-Term Liabilities	47,890
Total Liabilities	106,143
Net Assets	
Invested in Capital Assets, Net Related Debt	408,393
Restricted for Specific Purposes	14,124
Unrestricted	197,995
Total Net Assets	620,512
Total Liabilities and Net Assets	\$ 726,655

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$197,995 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

The total net assets of the Township increased by \$56,393 or 10.00% in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

Paradise Township Change in Net Assets for the Fiscal Year Ended March 31, 2005	
	<u>Governmental Activities</u>
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 27,307
Operating Grants and Contributions	9,726
General Revenues	
Property Taxes and Assessments	276,788
State Shared Revenue	189,475
Unrestricted Investment Earnings	2,175
Other	<u>1,029</u>
Total Revenues	<u>506,500</u>
<u>Expenses</u>	
Legislative	50,065
General Government	113,758
Community and Economic Development	11,780
Public Safety	86,525
Public Works	80,442
Health and Welfare	82,098
Recreation and Culture	8,930
Other Functions	12,198
Debt Service	<u>4,311</u>
Total Expenses	<u>450,107</u>
Changes in Net Assets	56,393
NET ASSETS - Beginning of Year	<u>564,119</u>
NET ASSETS - End of Year	<u><u>\$ 620,512</u></u>

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

Governmental Activities

During the fiscal year ended March 31, 2005, the Township's net assets increased by \$56,393 or 10.00% in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

A significant part of the revenue for all governmental activities of Paradise Township comes from property taxes. The Township levied a millage for fire protection and ambulance service, in addition to the operating millages, this fiscal year. The Township levied .82710 mills for operating purposes, 1.07000 mills for fire protection, and .97020 mills for ambulance service.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax.

The Township's governmental activities expenses are dominated by general governmental expenses that total 24.03% of total expenses. The Township spent \$108,177 in fiscal year 2005 on general governmental expenses. These represent 23.08% and 18.24% respectively. Expenses for salaries, including township assessor, represent a large portion of the general governmental expenses at \$94,489. Depreciation expense added another \$23,702.

Business-Type Activities

The Township does not maintain any Business-Type Activities.

Financial Analysis of the Government's Funds

Governmental Activities The focus of Paradise Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Paradise Township's governmental funds reported combined ending fund balances of \$210,520. Approximately 93.79% of this total amount (\$197,443) constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

General Fund – The General Fund decreased its fund balance by \$44,118 which brings the fund balance to \$170,782. Of the General Fund's fund balance, \$170,782 is unreserved.

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

Fire Fund – The Fire Fund increased its fund balance by \$4,895 which brings the fund balance to \$13,077. This balance is reserved and must be used for fire protection.

The Township levied a fire millage on the 2004 tax roll. This resulted in \$90,521 in tax related revenues during the current fiscal year.

Ambulance Fund – The Ambulance Fund's fund balance remained the same at zero. The Township levied an ambulance millage on the 2004 tax roll. This resulted in \$82,077 in tax related revenues during the current fiscal year.

Proprietary Fund The Township does not maintain any proprietary funds.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2005 amounted to \$497,798 net of accumulated depreciation. The total net increase in the Township's investment in capital assets for the current fiscal year was 61.73%.

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually (for purchases after March 31, 2004) and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

**Paradise Township
Capital Assets as of March 31, 2005**

	Governmental Activities
Land	\$ 4
Land Improvements	193,609
Buildings	435,290
Machinery and Equipment	64,829
	<hr/> 693,732
Less Accumulated Depreciation	<hr/> 195,934
Net Capital Assets	\$ <hr/><hr/>497,798

Major capital asset events during the current fiscal year included the following:

- ◆ Remaining construction of Township Hall \$173,675. .
- ◆ Copy machine cost \$9,089.

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

- ◆ Five computers cost \$6,717.

Long-Term Debt At the end of the current fiscal year, the Township had total debt outstanding of \$89,405. The entire balance of this debt is backed by the full faith and credit of the government. The lender also has a security interest in the tanker purchased with the note proceeds. Additional information on the Township's long-term debt can be found in the notes to the financial statements.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2005-06 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Paradise Township at 2300 E. M-113, Kingsley, MI 49649.

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2005

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash	\$ 185,275
Receivables	
Accounts	6,860
Taxes	23,711
Intergovernmental	1,649
Agency Fund	<u>11,362</u>
Total Current Assets	<u>228,857</u>
 <u>CAPITAL ASSETS</u>	
Land	4
Buildings	435,290
Land Improvements	193,609
Machinery and Equipment	<u>64,829</u>
	693,732
Less Accumulated Depreciation	<u>195,934</u>
Net Capital Assets	<u>497,798</u>
 TOTAL ASSETS	 <u><u>\$ 726,655</u></u>
 <u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 16,624
Payroll Deductions Payable	114
Current Portion of Long-Term Debt	<u>41,515</u>
Total Current Liabilities	<u>58,253</u>
 <u>LONG-TERM LIABILITIES</u>	
Notes Payable	89,405
Less: Current Portion	<u>(41,515)</u>
Total Long-Term Liabilities	<u>47,890</u>
 TOTAL LIABILITIES	 <u>106,143</u>

The accompanying notes are an integral part of the financial statements.

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2005

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	408,393
Restricted for Fire Protection	13,633
Restricted for Ambulance Service	491
Unrestricted	<u>197,995</u>
TOTAL NET ASSETS	<u>\$ 620,512</u>

The accompanying notes are an integral part of the financial statements.

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2005

		PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES	
PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES						
Legislative	\$ 50,065	\$ 0	\$ 0	\$ 0	\$ (50,065)	
General Government	113,758	21,442	0	0	(92,316)	
Community and Economic Development	11,780	5,865	0	0	(5,915)	
Public Safety	86,525	0	9,726	0	(76,799)	
Public Works	80,442	0	0	0	(80,442)	
Health and Welfare	82,098	0	0	0	(82,098)	
Recreation and Culture	8,930	0	0	0	(8,930)	
Other Functions	12,198	0	0	0	(12,198)	
Debt Service	4,311	0	0	0	(4,311)	
Total	\$ 450,107	\$ 27,307	\$ 9,726	\$ 0	(413,074)	

GENERAL REVENUES

Taxes	276,788
State Shared Revenue	189,475
Unrestricted Investment Earnings	2,175
Other	1,029
Total General Revenues	<u>469,467</u>
Change in Net Assets	56,393
NET ASSETS - Beginning of Year	<u>564,119</u>
NET ASSETS - End of Year	<u>\$ 620,512</u>

The accompanying notes are an integral part of the financial statements.

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2005

	GENERAL FUND	FIRE FUND	AMBULANCE FUND	NONMAJOR FUNDS	TOTALS
<u>ASSETS</u>					
Cash	\$ 146,167	\$ 4,782	\$ 7,665	\$ 26,661	\$ 185,275
Accounts Receivable	6,860	0	0	0	6,860
Taxes Receivable	6,848	8,851	8,012	0	23,711
Due from Other Funds	11,362	0	0	0	11,362
Due from Other Governments	1,649	0	0	0	1,649
TOTAL ASSETS	<u>\$ 172,886</u>	<u>\$ 13,633</u>	<u>\$ 15,677</u>	<u>\$ 26,661</u>	<u>\$ 228,857</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 1,438	\$ 0	\$ 15,186	\$ 0	\$ 16,624
Payroll Withholdings	114	0	0	0	114
Deferred Revenue	552	556	491	0	1,599
Total Liabilities	<u>2,104</u>	<u>556</u>	<u>15,677</u>	<u>0</u>	<u>18,337</u>
<u>FUND BALANCE</u>					
Reserved for:					
Fire Protection	0	13,077	0	0	13,077
Unreserved					
Designated for:					
Parks and Recreation	0	0	0	4,604	4,604
Fire Protection	0	0	0	3,668	3,668
Cemetery	0	0	0	18,389	18,389
Undesignated	170,782	0	0	0	170,782
Total Fund Balance	<u>170,782</u>	<u>13,077</u>	<u>0</u>	<u>26,661</u>	<u>210,520</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 172,886</u>	<u>\$ 13,633</u>	<u>\$ 15,677</u>	<u>\$ 26,661</u>	<u>\$ 228,857</u>

The accompanying notes are an integral part of the financial statements.

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2005

Total Fund Balance for Governmental Funds	\$	210,520
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	4	
Buildings	435,290	
Land Improvements	193,609	
Machinery and Equipment	64,829	
Accumulated Depreciation	<u>(195,934)</u>	497,798

Other long-term assets are not available to pay for current period
expenditures and therefore are not reported in the funds

Personal Property Taxes Receivable		1,599
------------------------------------	--	-------

Long-term liabilities are not due and payable in the current period
and therefore are not reported in the funds.

Notes Payable		<u>(89,405)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>620,512</u></u>
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The accompanying notes are an integral part of the financial statements.

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2005

	GENERAL FUND	FIRE FUND	AMBULANCE FUND	NONMAJOR FUNDS	TOTALS
<u>REVENUES</u>					
Taxes	\$ 102,570	\$ 90,521	\$ 82,098	\$ 0	\$ 275,189
Licenses and Permits	17,861	0	0	0	17,861
State Grants	189,475	0	0	0	189,475
Contributions From Local Units	0	0	0	2,000	2,000
Charges for Services	6,505	0	0	2,070	8,575
Interest and Rents	1,720	0	0	1,326	3,046
Other Revenues	182	0	0	8,573	8,755
Total Revenues	318,313	90,521	82,098	13,969	504,901
<u>EXPENDITURES</u>					
Legislative	50,065	0	0	0	50,065
General Government	280,654	0	0	23,114	303,768
Public Safety	11,780	85,626	0	899	98,305
Public Works	80,442	0	0	0	80,442
Health and Welfare	0	0	82,098	0	82,098
Culture and Recreation	5,750	0	0	3,180	8,930
Other Functions	12,198	0	0	0	12,198
Debt Service	34,042	0	0	15,776	49,818
Total Expenditures	474,931	85,626	82,098	42,969	685,624

The accompanying notes are an integral part of the financial statements.

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2005

	GENERAL FUND	FIRE FUND	AMBULANCE FUND	NONMAJOR FUNDS	TOTALS
Excess (Deficiency) of Revenues Over Expenditures	(156,618)	4,895	0	(29,000)	(180,723)
<u>OTHER FINANCING SOURCES (USES)</u>					
Operating Transfers In (Out)	(7,500)	0	0	7,500	0
Loan Proceeds	120,000	0	0	0	120,000
Total Other Financing Sources (Uses)	112,500	0	0	7,500	120,000
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(44,118)	4,895	0	(21,500)	(60,723)
<u>FUND BALANCE</u> - Beginning of Year	214,900	8,182	0	48,161	271,243
<u>FUND BALANCE</u> - End of Year	\$ 170,782	\$ 13,077	\$ 0	\$ 26,661	\$ 210,520

The accompanying notes are an integral part of the financial statements.

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2005

Net change in Fund Balance - Total Governmental Funds	\$ (60,723)
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(23,702)
Capital Outlay	213,712

Repayments of principal on long-term debt is an expenditure in the governmental fund, but not in the statement of activities (where it is a reduction of liabilities).

Note Payable	45,507
--------------	--------

Loan proceeds provide current financial resources to governmental funds by issuing debt which increases long-term debt in the statement of Net Assets.	(120,000)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in personal property tax revenue deferred using modified accrual method	<u>1,599</u>
--	--------------

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 56,393</u></u>
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The accompanying notes are an integral part of the financial statements.

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
MARCH 31, 2005

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 13,362
<u>LIABILITIES</u>	
Due to Other Funds	\$ 11,362
Due to Other Governments	2,000
 TOTAL LIABILITIES	 \$ 13,362

The accompanying notes are an integral part of the financial statements.

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Paradise Township is a general law township located in Grand Traverse County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

During fiscal year 2004, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Paradise Township reports the following major governmental funds:

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection.

The *Ambulance Fund* accounts for revenue sources that are legally restricted to expenditures for ambulance service.

Additionally Paradise Township reports the following fund types:

The *special revenue funds* accounts for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

D. Assets, Liabilities and Equity

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition.

(I) The Township Board has authorized the Township Treasurer to invest in the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution with a location within the State of Michigan.
- (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in subdivision (a).
- (e) Bankers' acceptances of United States banks.
- (f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

- (g) Mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by the Township Treasurer. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
- (h) Investment pools organized under the Local Government Pool Act, 1985 PA 121, MCL 129.141 to 129.150.
- (i) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes are levied and due July 1, and become delinquent after September 14. County and school taxes are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2004 taxable valuation of the Paradise Township totaled \$84,597,957, on which ad valorem taxes levied consisted of .82710 mills for the Paradise Township operating purposes, .97020 mills for Paradise Township ambulance service, and 1.07 mills for Paradise Township fire protection. These levies raised approximately \$69,970 for operating purposes, \$82,077 for ambulance service, and \$90,521 for fire protection.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building and Land improvements	20
Public domain infrastructure	50
Vehicles	10
Equipment	10
Computer equipment	5

Paradise Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

8. *Restatement/Reclassifications*

Beginning fund balances have been restated for the General Fund and for the Fire Fund to correctly reflect the impact of implementing GASB 34. The fund statements are now presented using the modified accrual basis of accounting rather than the cash basis of accounting which was utilized in prior years.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *Budgetary Information*

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on March 23, 2004, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures. The Township Board did not adopt budgets for the Ambulance Fund, Battalion #2 Fire Department Fund, and Cemetery Fund.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

B. Funds with Expenditures in Excess of Appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Supervisor	\$ 15,000	\$ 15,092
Assessor	25,000	28,123
Treasurer	7,500	19,855
Debt Service	0	34,042
Fire Fund	80,000	85,626

These overages were funded by greater than anticipated revenues and available fund balance.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The Township's deposits are owned by several of the Township's funds. At year-end, the carrying amount of the Township's deposits was \$198,637 and the bank balance was \$216,203. The Township's deposits were entirely covered by Federal depository insurance.

DEPOSITS

The bank balance of the Township's deposits at year-end are shown below:

Northwestern Bank	
Kingsley, Michigan	
Commercial	\$ 86,737
Certificates of Deposit	14,747
Forest Area Federal Credit Union	
Kingsley, Michigan	
Commercial	39,176
Savings and Money Market Accounts	141
Certificates of Deposit	1,064
Fifth Third Bank	
Traverse City, Michigan	
Certificates of Deposit	<u>74,338</u>
	\$ <u>216,203</u>
A reconciliation of cash follows:	
Carrying Amount of Deposit	\$ <u>198,637</u>

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

Government-wide Statement of Net Assets

Cash	\$ 185,275
Statement of Fiduciary Net Assets	<u>13,362</u>
	<u>\$ 198,637</u>

B. Receivables

Receivables as of year end for the government's individual major funds are as follows:

	General	Fire	Ambulance	Total
Receivables				
Agency Fund	\$ 11,362	\$ 0	\$ 0	\$ 11,362
Intergovernmental	1,649	0	0	1,649
Accounts	6,860	0	0	6,860
Taxes	6,848	8,851	8,012	2,3711
	<u>\$ 26,719</u>	<u>\$ 8,851</u>	<u>\$ 8,012</u>	<u>\$ 43,582</u>

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Deferred Revenue

	Unearned	Unavailable
General	\$ 0	\$ 552
Fire	0	556
Ambulance	0	491
	<u>\$ 0</u>	<u>\$ 1,599</u>

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 4	\$ 0	\$ 0	\$ 4

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated				
Buildings	\$ 261,615	\$ 173,675	\$ 0	\$ 435,290
Land Improvements	174,847	18,762	0	193,609
Machinery and equipment	43,554	21,275	0	64,829
Total capital assets, being depreciated	\$ 480,016	\$ 213,712	\$ 0	693,728
Less accumulated depreciation for:				
Buildings	\$ 17,629	\$ 6,704	\$ 0	\$ 24,333
Land Improvements	131,878	7,474	0	139,352
Machinery and equipment	22,725	9,524	0	32,249
Total accumulated depreciation	\$ 172,232	\$ 23,702	\$ 0	\$ 195,934
Total capital assets, being depreciated, net	\$ 307,784	\$ 190,010	\$ 0	\$ 497,794
Governmental activities capital assets, net	\$ 307,788	\$ 190,010	\$ 0	\$ 497,798

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ <u>23,702</u>

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2005.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2005, were:

<u>FUND</u>	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 11,362	\$ 0
Fiduciary Funds		
Current Tax Collection Fund	0	11,362
	\$ <u>11,362</u>	\$ <u>11,362</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

Interfund transfers that occurred during the fiscal year ended March 31, 2005, were:

<u>FUND</u>	<u>TRANSFERS</u> <u>IN</u>	<u>TRANSFERS</u> <u>OUT</u>
General Fund	\$ 0	\$ 7,500
Special Revenue Funds		
Parks and Recreation	2,500	0
Battalion #2 Fire Department	5,000	0
Total	\$ 7,500	\$ 7,500

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. Long-Term Debt

The following is a summary of the long-term debt transactions of the Township of Paradise for the year ended March 31, 2005:

	<u>NOTES</u> <u>PAYABLE</u>
Long -Term Debt Payable at April 1, 2004	\$ 14,912
New Debt Incurred	120,000
Payments on Debt	<u>(45,507)</u>
 LONG-TERM DEBT PAYABLE AT MARCH 31, 2005	 \$ <u>89,405</u>

Debt payable at March 31, 2005 consisted of the following:

Notes Payable:

\$120,000 note payable, due in monthly installments of \$3,692 through May 1, 2007; interest at 3.95%	\$ <u>89,405</u>
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PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

The annual requirements to amortize debt outstanding as of March 31, 2005 are as follows:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Amounts Payable</u>
2006	\$ 41,515	\$ 2,789	\$ 44,304
2007	43,184	1,120	44,304
2008	4,706	7	4,713
	<u>\$ 89,405</u>	<u>\$ 3,916</u>	<u>\$ 93,321</u>

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. In addition, certain portions of unreserved fund balances have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved		
Special Revenue Funds		
Fire Fund		
Fire Protection		\$ 13,077
Unreserved		
Designated for:		
Park Recreation Fund		
Park and Recreation	4,604	
Battalion #2 Fire Department Fund		
Fire Protection	3,668	
Cemetery Fund		
Cemetery	18,389	26,661
TOTAL FUND BALANCE		
RESERVES AND DESIGNATIONS		\$ 39,738

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Retirement Plan

The Township adopted a defined contribution pension plan on August 1, 1968. The plan is administered by the Manufacturer's Life Insurance Company. The plan covers all salaried employees. To be eligible for the plan, the participant must have attained age 18. Benefits attributable to employer contributions are 100% vested immediately. Contributions to the plan follow a predetermined schedule and are based on annual compensation. The Township pays 75% of the contribution and each participant pays 25%. In addition, participants are allowed to make voluntary after-tax contributions in amounts ranging from 1% to 10% of compensation. Total covered payroll for the fiscal year was \$42,753 and total wages including non-covered wages was \$79,063. The Township's pension contribution for the 2004-2005 year was \$2,995 which included \$45 of administrative fees.

C. Joint Fire Hall

The Township entered into a joint venture with Mayfield Township, and the Village of Kingsley to construct and maintain a town hall for Paradise Township and the Village of Kingsley, and a fire hall for the Village of Kingsley and Paradise and Mayfield Townships. Expenses in excess of rent receipts are underwritten by these units based on an allocation formula.

The town hall and fire hall is known as the KMP Emergency Facility. The joint venture has a separate governing board and also separate management which is responsible for day to day operations. The governing board has the ability to influence its own operations by approving budgets, signing contracts, hiring personnel and exercising control over the facility. This Board has final authority for all budgeting and financing of the joint venture.

The most recent joint venture summary audited financial information available as of March 31, 2005, is as follows:

Assets	\$ 9,057
Liabilities	6,527
Fund Balance	2,530
Revenues	17,145
Expenditures	15,436
Excess (Deficiency) of Revenues to Expenditures	1,709

A copy of these audited financial statements may be obtained upon request from the treasurer of the KMP Emergency Facility.

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2005

	GENERAL FUND			VARIANCE WITH FINAL BUDGET
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<u>REVENUES</u>				
Taxes	\$ 96,400	\$ 96,400	\$ 102,570	\$ 6,170
Licenses and Permits	3,900	3,900	17,861	13,961
State Grants	226,900	226,900	189,475	(37,425)
Charges for Services	0	0	6,505	6,505
Interest and Rents	1,600	1,600	1,720	120
Other Revenues	12,000	12,000	182	(11,818)
Total Revenues	340,800	340,800	318,313	(22,487)
<u>EXPENDITURES</u>				
Legislative	55,000	71,000	50,065	20,935
General Government	279,500	287,000	280,654	6,346
Community and Economic Development	17,400	17,400	11,780	5,620
Public Safety	22,400	22,400	17,361	5,039
Public Works	108,000	81,500	80,442	1,058
Health and Welfare	0	0	0	0
Culture and Recreation	10,000	10,000	5,750	4,250
Other Functions	12,400	15,400	12,198	3,202
Debt Service	0	0	34,042	(34,042)
Contingency	1,000	1,000	0	1,000
Total Expenditures	505,700	505,700	492,292	13,408
Excess (Deficiency) of Revenues Over Expenditures	(164,900)	(164,900)	(173,979)	(9,079)
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers In (Out)	(7,500)	(7,500)	(7,500)	0
Loan Proceeds	0	0	120,000	120,000
Total Other Financing Sources (Uses)	(7,500)	(7,500)	112,500	120,000
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(172,400)	(172,400)	(61,479)	110,921
<u>FUND BALANCE</u> - Beginning of Year	150,000	150,000	214,900	64,900
<u>FUND BALANCE</u> - End of Year	\$ (22,400)	\$ (22,400)	\$ 153,421	\$ 175,821

FIRE FUND				AMBULANCE FUND			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
\$ 80,000	\$ 80,000	\$ 90,521	\$ 10,521	\$ 0	\$ 0	\$ 82,098	\$ 82,098
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
80,000	80,000	90,521	10,521	0	0	82,098	82,098
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
80,000	80,000	85,626	(5,626)	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	82,098	(82,098)
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
80,000	80,000	85,626	(5,626)	0	0	82,098	(82,098)
0	0	4,895	4,895	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	4,895	4,895	0	0	0	0
0	0	8,182	8,182	0	0	0	0
\$ 0	\$ 0	\$ 13,077	\$ 13,077	\$ 0	\$ 0	\$ 0	\$ 0

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Commercial Account	\$ 71,830
Certificates of Deposit	74,337
Accounts Receivable	6,860
Due from Other Funds	11,362
Due from Other Governments	1,649
Taxes Receivable	6,848
	<hr/>
TOTAL ASSETS	\$ 172,886
	<hr/> <hr/>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 1,438
Payroll Withholdings	114
Deferred Revenue	552
	<hr/>
Total Liabilities	2,104

FUND BALANCE

Unreserved	170,782
	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 172,886
	<hr/> <hr/>

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
<u>REVENUES</u>				
Taxes	\$ 96,400	\$ 96,400	\$ 102,570	\$ 6,170
Licenses and Permits	3,900	3,900	17,861	13,961
State Grants	226,900	226,900	189,475	(37,425)
Charges for Services	0	0	6,505	6,505
Interest and Rents	1,600	1,600	1,720	120
Other Revenues	12,000	12,000	182	(11,818)
Total Revenues	340,800	340,800	318,313	(22,487)
<u>EXPENDITURES</u>				
Legislative				
Township Board	55,000	71,000	50,065	20,935
General Government				
Supervisor	15,000	15,000	15,092	(92)
Election	5,000	6,000	4,790	1,210
Assessor	20,000	25,000	28,123	(3,123)
Clerk	15,000	15,000	14,734	266
Board of Review	1,000	1,000	698	302
Treasurer	15,000	7,500	19,855	(12,355)
Building and Grounds	205,000	214,000	196,613	17,387
Cemetery	3,500	3,500	749	2,751
Community and Economic Development	17,400	17,400	11,780	5,620
Public Works	108,000	81,500	80,442	1,058
Culture and Recreation	10,000	10,000	5,750	4,250
Other Functions	12,400	15,400	12,198	3,202
Debt Service	0	0	34,042	(34,042)
Contingency	1,000	1,000	0	1,000
Total Expenditures	483,300	483,300	474,931	8,369

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Excess of Revenues Over (Under) Expenditures	(142,500)	(142,500)	(156,618)	(14,118)
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers In (Out)	(7,500)	(7,500)	(7,500)	0
Loan Proceeds	0	0	120,000	120,000
Total Other Financing Sources (Uses)	(7,500)	(7,500)	112,500	120,000
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(150,000)	(150,000)	(44,118)	105,882
<u>FUND BALANCE</u> - Beginning of Year	150,000	150,000	214,900	64,900
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 170,782	\$ 170,782

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED MARCH 31, 2005

TAXES

Property Taxes	\$ 69,970	
Property Tax Administration Fee	26,477	
Interest and Penalties	1,660	
Commercial Forest Reserve	146	
Swamp Tax	4,317	102,570

LICENSES AND PERMITS

Cable Television Fees	11,996	
Special Use Applications	600	
Land Use and Division Permits	5,265	17,861

STATE GRANTS

State Revenue Sharing		
Sales and Use Tax	180,291	
Telecommunications Right of Way	9,184	189,475

CHARGES FOR SERVICES

Summer Tax Collection	6,133	
Copy Charges	324	
Other	48	6,505

INTEREST AND RENTS

Interest Earnings		1,720
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OTHER REVENUES

Miscellaneous		182
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TOTAL REVENUES		318,313
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OTHER FINANCING SOURCES

Loan Proceeds		120,000
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TOTAL REVENUES AND OTHER FINANCING SOURCES		\$ 438,313
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PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED MARCH 31, 2005

LEGISLATIVE

Township Board

Personal Services

Salaries and Wages	\$ 4,658
Salaries and Wages - Secretary	17,952
Salaries and Wages - Per Diem	1,529
Salaries and Wages - Other	1,471

Supplies

Office Supplies	1,842
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Other Services and Charges

Taxes Abated and Written Off	1,779
Contracted Services	2,151
Professional Services	11,613
Printing and Publishing	1,759
Transportation Expense	1,320
Dues and Subscriptions	2,369
Education and Training	336
Miscellaneous	<u>1,286</u>

Total Legislative

50,065

GENERAL GOVERNMENT

Supervisor

Personal Services

Salaries and Wages	11,845
Salaries and Wages - Per Diem	1,970
Salaries and Wages - Deputy	650

Other Services and Charges

Transportation and Expense	137
Education and Training	440
Miscellaneous	<u>50</u>

15,092

Elections

Supplies

Office Supplies	1,353
-----------------	-------

Other Services and Charges

Contracted Services	3,317
Transportation and Expense	80
Miscellaneous	<u>40</u>

4,790

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED MARCH 31, 2005

Assessor

Supplies

Office Supplies 4,953

Other Services and Charges

Contracted Services 22,907

Miscellaneous 263 28,123

Clerk

Personal Services

Salaries and Wages 11,845

Salaries and Wages - Per Diem 855

Salaries and Wages - Deputy 650

Supplies

Office Supplies 1,140

Other Services and Charges

Transportation and Expense 161

Education and Training 83 14,734

Board of Review

Personal Services

Salaries and Wages 532

Other Services and Charges

Transportation and Expense 25

Miscellaneous 141 698

Treasurer

Personal Services

Salaries and Wages 15,845

Salaries and Wages - Per Diem 830

Salaries and Wages - Deputy 950

Supplies

Office Supplies 1,828

Other Services and Charges

Transportation and Expenses 55

Education and Training 347 19,855

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED MARCH 31, 2005

Building and Grounds			
Other Services and Charges			
Utilities	9,918		
Aid to Other Governments	4,450		
Repairs and Maintenance	1,350		
Capital Outlay	180,895	196,613	
Cemetery			
Other Services and Charges			
Aid to Other Governments	300		
Miscellaneous	449	749	
Total General Government			280,654

COMMUNITY AND ECONOMIC DEVELOPMENT

Planning and Zoning			
Personal Services			
Salaries and Wages	6,211		
Salaries and Wages - Per Diem	520		
Other Services and Charges			
Contracted Services	3,090		
Transportation and Expense	587		
Printing and Publishing	1,012		
Education and Training	360	11,780	
Total Community and Economic Development			11,780

PUBLIC WORKS

Highways, Roads and Bridges			
Other Services and Charges			
Contracted Services			80,442

CULTURE AND RECREATION

Recreation and Parks			
Personal Services			
Salaries and Wages		750	
Other Services and Charges			
Aid to Other Governments		5,000	
Total Culture and Recreation			5,750

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED MARCH 31, 2005

OTHER FUNCTIONS

Insurance and Bonds	2,158	
Penalties and Interest	1,566	
Employee Benefits	<u>8,474</u>	
Total Other Functions		12,198

DEBT SERVICE

Principal	30,595	
Interest	<u>3,447</u>	
Total Debt Service		<u>34,042</u>

TOTAL EXPENDITURES	474,931
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OTHER FINANCING USES

Operating Transfers Out		
Park Recreation Fund	2,500	
Battalion #2 Fire Department	<u>5,000</u>	
Total Other Financing Uses		<u>7,500</u>

TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 482,431</u>
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PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

FIRE FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	\$ 4,782
Taxes Receivable	<u>8,851</u>
Total Assets	<u><u>\$ 13,633</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred Revenue	\$ 556
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FUND BALANCE

Reserved for Fire Protection	<u>13,077</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 13,633</u></u>
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PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Taxes				
Property Taxes	\$ 80,000	\$ 80,000	\$ 90,521	\$ 10,521
<u>EXPENDITURES</u>				
Public Safety				
Fire Protection				
Other Services and Charges				
Aid to Other Government	80,000	80,000	85,626	(5,626)
Excess of Revenues				
Over (Under) Expenditures	\$ 0	\$ 0	\$ 4,895	\$ 4,895
<u>FUND BALANCE</u> - Beginning of Year	0	0	8,182	8,182
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 13,077	\$ 13,077

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

AMBULANCE FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	\$ 7,665
Taxes Receivable	<u>8,012</u>
Total Assets	<u><u>\$ 15,677</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 15,186
Deferred Revenue	<u>491</u>
Total Liabilities	15,677

FUND BALANCE

Reserved for Ambulance Service	<u>0</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 15,677</u></u>

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

AMBULANCE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDING MARCH 31, 2005

REVENUES

Taxes

Property Taxes	\$ 82,098
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EXPENDITURES

Health and Welfare

Ambulance - Contracted Service	<u>82,098</u>
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Excess of Revenues

Over (Under) Expenditures	0
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FUND BALANCE - Beginning of Year

<u>0</u>

FUND BALANCE - End of Year

<u><u>\$ 0</u></u>

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET
MARCH 31, 2005

	BATTALION #2			
	PARK RECREATION FUND	FIRE DEPARTMENT FUND	CEMETERY FUND	TOTAL
<u>ASSETS</u>				
Cash				
Commercial Account	\$ 1,011	\$ 0	\$ 6,142	\$ 7,153
Savings Account	29	0	0	29
Money Market Account	0	3,668	0	3,668
Certificates of Deposit	3,564	0	12,247	15,811
TOTAL ASSETS	\$ 4,604	\$ 3,668	\$ 18,389	\$ 26,661
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Deferred Revenue	\$ 0	\$ 0	\$ 0	\$ 0
<u>FUND BALANCES</u>				
Unreserved				
Designated for:				
Fire Protection	0	3,668	0	3,668
Parks and Recreation	4,604	0	0	4,604
Cemetery	0	0	18,389	18,389
Total Fund Balances	4,604	3,668	18,389	26,661
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,604	\$ 3,668	\$ 18,389	\$ 26,661

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2005

	BATTALION #2			
	PARK RECREATION FUND	FIRE DEPARTMENT FUND	CEMETERY FUND	TOTAL
<u>REVENUES</u>				
Contributions from Local Unit	\$ 0	\$ 2,000	\$ 0	\$ 2,000
Charges for Services	0	0	2,070	2,070
Interest and Rents	905	61	360	1,326
Other Revenues	105	7,986	482	8,573
Total Revenues	1,010	10,047	2,912	13,969
<u>EXPENDITURES</u>				
General Government				
Cemetery	0	0	23,114	23,114
Public Safety				
Fire Protection	0	899	0	899
Recreation and Cultural				
Parks and Recreation	3,180	0	0	3,180
Debt Service	0	15,776	0	15,776
Total Expenditures	3,180	16,675	23,114	42,969
Excess of Revenues Over (Under) Expenditures	(2,170)	(6,628)	(20,202)	(29,000)
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers In General Fund	2,500	5,000	0	7,500
Excess of Revenues and Other Sources (Under) Expenditures and Other Uses	330	(1,628)	(20,202)	(21,500)
<u>FUND BALANCE</u> - Beginning of Year	4,274	5,296	38,591	48,161
<u>FUND BALANCE</u> - End of Year	\$ 4,604	\$ 3,668	\$ 18,389	\$ 26,661

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

PARK RECREATION FUND

BALANCE SHEET
MARCH 31, 2005

<u>ASSETS</u>		
Cash		
Commercial Account	\$	1,011
Savings Account		29
Certificates of Deposit		<u>3,564</u>
 TOTAL ASSETS	 \$	 <u><u>4,604</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>		
 <u>LIABILITIES</u>	 \$	 0
 <u>FUND BALANCE</u>		
Unreserved		
Designated for Parks and Recreation		<u>4,604</u>
 TOTAL LIABILITIES AND FUND BALANCE	 \$	 <u><u>4,604</u></u>

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

PARK RECREATION FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

	BUDGET			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>				
Interest and Rents				
Interest Income	\$ 0	\$ 0	\$ 34	\$ 34
Pavilion Rent	0	0	871	871
Other Receipts				
Miscellaneous	0	0	105	105
Total Revenues	0	0	1,010	1,010
<u>EXPENDITURES</u>				
Recreation and Cultural				
Parks and Recreation				
Supplies				
Operating Supplies	12,500	12,500	346	12,154
Other Services and Charges				
Contracted Services	0	0	2,508	(2,508)
Utilities	0	0	326	(326)
Total Expenditures	12,500	12,500	3,180	9,320
Excess of Revenues				
Over (Under) Expenditures	(12,500)	(12,500)	(2,170)	10,330
<u>OTHER FINANCING SOURCES</u>				
Operating Transfers In				
General Fund	12,500	12,500	2,500	(10,000)
Excess of Revenues Over (Under)				
Expenditures and Other Sources	0	0	330	330
<u>FUND BALANCE</u> - Beginning of Year	0	0	4,274	4,274
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 4,604	\$ 4,604

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

BATTALION #2 FIRE DEPARTMENT FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Money Market Account	\$ 3,668

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
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FUND BALANCE

Unreserved	
Designated for Fire Protection	3,668

TOTAL LIABILITIES AND FUND BALANCE	\$ 3,668
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PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

BATTALION #2 FIRE DEPARTMENT FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDING MARCH 31, 2005

REVENUES

Contributions from Local Unit		
Mayfield Township		\$ 2,000
Interest and Rents		
Interest Earnings		61
Other Revenues		
Donations	7,726	
Miscellaneous	260	7,986
Total Revenues		10,047

EXPENDITURES

Public Safety		
Supplies		
Office Supplies	37	
Fundraising Supplies	102	139
Other Services and charges		
Repairs and Maintenance	149	
Miscellaneous	611	760
Debt Service		
Principal	14,912	
Interest	864	15,776
Total Expenditures		16,675
Excess of Revenues Over (Under) Expenditures		(6,628)

OTHER FINANCING SOURCES

Other Transfers In		
General Fund		5,000
Excess of Receipts and Other Sources Over (Under) Expenditures		(1,628)

<u>FUND BALANCE</u> - Beginning of Year	5,296
<u>FUND BALANCE</u> - End of Year	\$ 3,668

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

CEMETERY FUND

BALANCE SHEET
MARCH 31, 2005

<u>ASSETS</u>		
Cash		
Commercial Account	\$	6,142
Certificates of Deposit		<u>12,247</u>
TOTAL ASSETS	\$	<u><u>18,389</u></u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$	0
<u>FUND BALANCE</u>		
Unreserved		
Designated for Cemetery		<u>18,389</u>
TOTAL LIABILITIES AND FUND BALANCE	\$	<u><u>18,389</u></u>

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

CEMETERY FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2005

REVENUES

Charges for Services	
Sales of Cemetery Lots	\$ 2,070
Interest and Rents	
Interest Earnings	360
Other Revenue	
Cemetery Dues	<u>482</u>
 Total Revenues	 <u>2,912</u>

EXPENDITURES

General Government	
Cemetery	
Supplies	
Office Supplies	61
Operating Supplies	421
Other Services and Charges	
Contracted Services	3,655
Utilities	131
Rentals	80
Miscellaneous	4
Capital Outlay	<u>18,762</u>
 Total Expenditures	 <u>23,114</u>

Excess of Revenues Over (Under) Expenditures	(20,202)
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<u>FUND BALANCE</u> - Beginning of Year	<u>38,591</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>\$ 18,389</u></u>
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PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MARCH 31, 2005

	BALANCE				BALANCE
	4/1/2004	ADDITIONS	DEDUCTIONS		3/31/2005
<u>ASSETS</u>					
Cash					
Petty Cash	\$ 238	\$ 64	\$ 0	\$	302
Commercial Account	11,213	2,528,320	2,526,585		12,948
Savings Account	4,825	292,288	297,001		112
	<hr/>				
TOTAL ASSETS	\$ 16,276	\$ 2,820,672	\$ 2,823,586	\$	13,362
	<hr/>				
<u>LIABILITIES</u>					
Due to Other Funds	\$ 16,276	\$ 250,858	\$ 255,772	\$	11,362
Due to Other Organizations and Individuals	0	10,177	10,177		0
Due to Other Governments	0	2,196,693	2,194,693		2,000
	<hr/>				
TOTAL LIABILITIES	\$ 16,276	\$ 2,457,728	\$ 2,460,642	\$	13,362
	<hr/>				

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

STATEMENT OF 2004 TAX ROLL
MARCH 31, 2005

TAXES ASSESSED

County	\$	513,869	
County - State Education Tax		509,214	
Township			
Operating		70,185	
Fire		90,800	
Ambulance		82,330	
School			
Kingsley Area Schools		764,743	
Library			
Traverse Area District Library		101,093	
Intermediate School			
Traverse Bay Area Intermediate		252,325	
College			
Northwestern Michigan College		239,502	
Downtown Development Authority			
Kingsley DDA		3,186	
Transportation Authority			
Bay Area Transportation Authority		<u>28,978</u>	2,656,225

TAXES COLLECTED

County	465,235	
County - State Education Tax	478,276	
Township		
Operating	63,558	
Fire	82,226	
Ambulance	74,556	
School		
Kingsley Area Schools	681,951	
Library		
Traverse Area District Library	91,526	
Intermediate School		
Traverse Bay Area Intermediate	228,499	
College		
Northwestern Michigan College	216,835	
Downtown Development Authority		
Kingsley DDA	3,077	
Transportation Authority		
Bay Area Transportation Authority	<u>26,236</u>	<u>2,411,975</u>

PARADISE TOWNSHIP, GRAND TRAVERSE COUNTY
KINGSLEY, MICHIGAN

STATEMENT OF 2004 TAX ROLL
MARCH 31, 2005

TAXES RETURNED DELINQUENT

County	48,634	
County - State Education Tax	30,938	
Township		
Operating	6,627	
Fire	8,574	
Ambulance	7,774	
School		
Kingsley Area Schools	82,792	
Library		
Traverse Area District Library	9,567	
Intermediate School		
Traverse Bay Area Intermediate	23,826	
College		
Northwestern Michigan College	22,667	
Downtown Development Authority		
Kingsley DDA	109	
Transportation Authority		
Bay Area Transportation Authority	2,742	\$ 244,250

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

April 29, 2005

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Paradise Township
Grand Traverse County
Kingsley, Michigan

During the course of our audit of the financial statements of Paradise Township for the year ended March 31, 2005, we noted the following items:

Budgeting

The township had not formally adopted a separate budget for the Ambulance Fund or the Battalion #2 Fire Department Fund. State law requires that this be done prior to expending any money in this fund.

The Act also states that the budget document that the Township adopts includes the following financial information:

The actual results from the prior year

An estimate of the current year results

The proposed budget for the upcoming year

Amounts for contingencies, if appropriate

The amount of fund balance accumulated through the end of the current year, and the amount expected at the end of the upcoming year, after applying the budgeted receipts and disbursements.

The Township board is also responsible for amending the budget during the year to allow for expenditures in excess of original appropriations, or to reduce appropriations if it appears the actual expenditures will be much less than originally appropriated

The adoption of the budgets for each fund should be clearly noted in the board minutes, as well as any amendments to the budget throughout the year.

During the year, we provided a detailed example of how this should be done. Please make sure you have officially done this in the proper format for the 2005-2006 year.

Tax Collection Fund Recordkeeping

During our audit we encountered difficulty in balancing the Tax Collection Fund transactions. Savings account transactions were not all recorded during the year, bank reconciliations did not work at year end, we found deposits listed on the records that were not valid transactions, one check was written during the year and was not recorded on the records when we arrived to conduct the audit, a significant amount of checks written to the Village of Kingsley, Kingsley Schools, and Paradise Township were not cashed until June 2005 and after, the Kingsley DDA collection began this year and was not done entirely correct, the bank deposited money incorrectly between the tax savings and tax checking accounts during the year, two prior year outstanding checks were counted as 2004-2005 disbursements even though they were recorded in the prior year, and the township collected, but failed to timely distribute delinquent personal property tax during the year and failed to properly identify the collection of the delinquent tax in the records of the township.

Tax Collection Fund Balance

A balance remained in the Tax Collection Fund at March 31, 2005. We recommend that the Township disburse each year all remaining funds in the Tax Collection Fund by March 31, except a small residual amount to maintain a minimum balance in order to keep the bank accounts open.

Payroll Tax and Wage Reporting

In the course of our audit, we asked the Clerk for copies of various payroll tax returns she filed during the year. She informed us that she had not maintained copies of those reports. We recommend that the Clerk maintain copies of all payroll related reporting and to check with the state unemployment agency to ensure that the reports were in fact filed. We also recommend that the Clerk understand how to calculate the 941 quarterly federal tax returns and double check the computer calculation each quarter, rather than to just rely on the computer generated report, especially if the computer generated report has an overpayment or underpayment calculated.

Pension Plan Reporting

The Township's pension plan has a tiered contribution schedule to be based only on elected officials' wages. During the audit year, the employee withholdings were based on a percentage instead of the tiered contribution schedule. We contacted the pension plan company to find out what steps would need to be taken to change the withholdings and contributions from a tiered schedule to a percentage, and determined it would be very easy to do, otherwise the employee withholdings should be changed to a deductions system that will withhold the proper amount from the employee based on the tiered schedule. Additionally, the pension contributions were not made timely during the year.

Reconciliation Between Clerk and Treasurer Records

The Township monthly closing procedure for closing the township records on a monthly basis was not performed each month. The State of Michigan requires that the Clerk and Treasurer reconcile their records with each other on a monthly basis. When inquiring with the Clerk as to which set of records to use for the audit, the Clerk instructed us to use the Treasurers general ledger detail, as it was her belief that those records would more accurately reflect the correct posting of receipts and disbursements during the year. It should be noted that it is the Clerk's duty to maintain an accurate general ledger with complete posting and classifications, and we recommend that this be done in the future.

Fire Extra Voted Millage

The Township should record the fire extra voted millage on a separate set of books in the future, out of the General Fund. This will help account for the proper tax collection fund transactions.

Receipting and Depositing Funds

Pre-numbered receipts should be issued for all funds received by the township, by using pre-numbered receipts and issuing g receipts for all funds received, the township can control the receipts by accounting for the used receipts. Also, it allows the township to track the timeliness of bank deposits during the year. We found checks issued from the tax collection fund and state shared revenue checks that were not timely deposited into the Township bank accounts.

Land Division Receipts

We recommend that the property number appear on the receipts issued for land division applications so that receipts can be more easily traced to the file which has the application.

Annual Audit

Based on the number of issues that are still not being taken care of related to recordkeeping at the township, the State Department of Treasury may require that you continue to be audited annually until these items are taken care of. We also believe that the township should continue to be audited annually until these items are taken care of.

GASB 34

The Governmental Accounting Standards Board has issued Statement #34. The implementation date for the Township for GASB 34 was for the year ending March 31, 2004. We have assisted the Township with complying with any GASB 34 requirements of the State of Michigan and GASB. The financial statements are quite different as a result of this drastic change. We recommend the board review the new financial statements, and we are available to help explain the changes in detail, if needed.

We would like to thank the board for its continued confidence in our firm and to thank the township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

April 29, 2005

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Paradise Township
Grand Traverse County
Kingsley, Michigan

In planning and performing our audit of the basic financial statements of Paradise Township, Grand Traverse County, Kingsley, Michigan for the year ended March 31, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.